

AGREEMENT IN PRINCIPLE

WHEREAS Defendants James Mastrangelo, Jeffrey Seefeldt and Pamela Klute (collectively the "Trustee Defendants") represent that in the aggregate, their personal non-exempt assets (i.e. assets minus liabilities in excess of the homestead exemption and other exemptions under Wisconsin law and/or federal law that protect certain types of a debtor's property and assets from creditor collection actions and exclusive of retirement plan and IRA accounts) do not exceed \$900,000;

WHEREAS the Trustee Defendants' counsel represent that Chubb has represented that there is \$3.5 million or less remaining in insurance coverage for the claims asserted against the Trustee Defendants and Defendant Pagelow in this litigation;

WHEREAS Counsel for Plaintiffs and the Class ("Class Counsel") represent that Magistrate Judge Oppeneer has stated in the course of settlement discussions that Chubb has represented in writing to him that there is \$3.5 million or less in insurance remaining in insurance coverage for the claims asserted against the Trustee Defendants and Defendant Pagelow in this litigation;

WHEREAS Class Counsel and Plaintiffs have relied on the foregoing representations in deciding to enter into this settlement on behalf of the Class,

WHEREAS each of the undersigned counsel represent that their respective clients have been informed of and consent to the provisions set forth below:

IT IS HEREBY AGREED BY Plaintiffs, on behalf of themselves and the certified Class, and the Trustee Defendants and Defendant Steven Pagelow (collectively with the Trustee Defendants, the "Settling Defendants") to settle the claims against these Defendants in *Chesmore v. Alliance Holdings* No. 09-cv-413 (W.D. Wis.) ("Trachte ESOP Litigation") on the following terms which will be incorporated into a Final Settlement Agreement after execution of this Agreement in Principle:

1. This agreement is subject to the conclusion of a mutually acceptable formal settlement agreement and approval by the Court.

2. A payment of \$3.25 million ("the Settlement Fund") will be made by Chubb into an escrow account jointly administered by Class Counsel and counsel for the Trustee Defendants (or their insurer) on the following timeframes: (a) \$100,000 to be deposited within 30 days after the signing of the agreement in principle and (b) the remaining monies to be deposited within 30 days after the District Court grants preliminary approval of this Settlement. In the event that the District Court refuses to grant either preliminary approval or final approval, the amount in the Escrow Account plus any earnings minus any expenses incurred (including any necessary reserve for taxes or tax preparation) will be returned to Chubb within 30 days of the order denying approval of the settlement by the District Court.

3. Defendant Pagelow will cancel his sellers note.

4. The Settling Defendants (and any of their beneficiaries) will not, either directly or through allocations to their ESOP accounts, receive any of the proceeds from this Settlement and agree not to receive any portion of any settlement with any other defendant unless the total net settlement (after payment of fees and expenses) paid to class members exceed the amount in the pre-2007 accounts plus interest. To the extent that any portion of this settlement is paid into one of the ESOPs or some other qualified retirement plan, any defendant or other person who receives a release in this Settlement will agree not to receive any allocation of any amount from this Settlement and will obtain an authorization from any current spouse or other beneficiary necessary to forego any such allocation (unless consent from a non-spousal beneficiary is not possible).

5. The formal settlement agreement will provide the Settling Defendants with a release from liability for any and all claims that the Class has or could have asserted against the Settling Defendants in the Trachte ESOP Litigation related to the 2007 Transaction and will contain language acceptable to Plaintiffs and the Settling Defendants that will protect Settling Defendants against claims by any Non-Settling Defendants for contribution, indemnity or otherwise related to the Settling Defendants' respective roles in the 2007 Transaction. In the formal settlement agreement, Settling Defendants will assign to Plaintiffs and the Class any claim that the Settling Defendants have or could assert against any Non-Settling Defendant for contribution, indemnity or other similar claim in the 2007 Transaction.

6. Settling Defendants will cooperate with Class Counsel and use their best efforts to obtain the cooperation of any third-party (including Trachte) to enable the Class to obtain tax benefits for this settlement so that the net proceeds of this settlement can be paid through a qualified retirement plan.

7. Settling Defendants will not take any position on Class Counsel's request for fees or expenses from the Settlement Fund.

8. The Settlement Fund (net of attorney's fees and expenses approved by the Court) will be allocated to members of the Class (excluding Settling Defendants or any other Defendants and any of their beneficiaries) based on an allocation plan to be submitted by Class Counsel to the Court for approval and which shall be subject to modification by the Court. ~~Settling Defendants will not have any input on the method or plan of allocation.~~

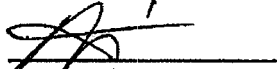
9. The Trustee Defendants will agree not to serve as fiduciaries of any Trachte-sponsored ERISA-covered plan.

10. The Trustee Defendants will provide adequate written statements under oath about their assets and liabilities (including exempt assets and those of their current spouses) in a form previously provided to the Trustee Defendants. The Trustee Defendants, by their signatures below and as will be set forth in the parties' formal settlement agreement, acknowledge that Plaintiffs and Class Counsel, on behalf of the Class, consider the statements by the Trustee Defendants to be material representations in deciding to enter into this settlement.

The individual written statements will be provided to Class Counsel on an attorneys' eyes only basis. Such statements will be provided to the District Court under seal if requested by the Court or to any other person whom the Court orders.

11. The Settling Defendants will confirm in the parties' formal settlement agreement all of the following: (a) that to the best of their knowledge and information, the amount of total insurance available to satisfy the claims against the Settling Defendants in this litigation was \$7 million, (b) the identity of the policies of which they are aware that cover the claims against the Settling Defendants asserted by the Plaintiffs and on behalf of the Class; (c) that they are unaware of any other insurance policies that provide potential coverage for the claims against the Settling Defendants that have been or could have been asserted by the Plaintiffs themselves or on behalf of the Class in this litigation; (d) neither Trachte, the Trachte ESOP, nor any other Defendant, has paid any of their attorneys' fees or expenses in this litigation (except for amounts subject to the deductible under the policies); and (e) that no other person (other than Chubb) has agreed to indemnify or reimburse them for any fees, expenses or to satisfy any judgment and will waive any right to seek indemnification or contribution from Trachte or the Trachte ESOP or any other Defendant (except to the extent that such claims have been assigned to Plaintiffs or the Class). The Settling Defendants, by their signatures below and as will be set forth in the parties' formal settlement agreement, acknowledge that Plaintiffs and the Class consider these statements to be material representations.

Dated: May 27, 2013:

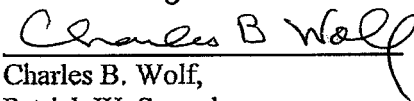


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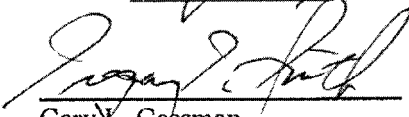
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